

BC Housing

2015/16 – 2017/18

# SERVICE PLAN

February 2015



### **Home Office**

Suite 1701 – 4555 Kingsway  
Burnaby, B.C. V5H 4V8  
Telephone: 604-433-1711  
Facsimile: 604-439-4722  
E-mail: [webeditor@bchousing.org](mailto:webeditor@bchousing.org)

### **Interior Region**

290 Nanaimo Avenue West  
Penticton, B.C. V2A 1N5  
Telephone: 250-493-0301  
Outside Penticton call: 1-800-834-7149  
Facsimile: 250-492-1080  
E-mail: [interiorregion@bchousing.org](mailto:interiorregion@bchousing.org)

### **Lower Mainland Non-Profit Office**

Suite 1701 – 4555 Kingsway  
Burnaby, B.C. V5H 4V8  
Telephone: 604-433-1711  
Facsimile: 604-525-8201  
E-mail: [LMNonProfit@bchousing.org](mailto:LMNonProfit@bchousing.org)

### **Lower Mainland Directly Managed Office**

Suite 510 – 369 Terminal Avenue  
Vancouver, B.C. V6A 4C4  
Telephone: 604-609-7024  
Facsimile: 604-609-7031  
E-mail: [LMDirectlyManaged@bchousing.org](mailto:LMDirectlyManaged@bchousing.org)

### **Homeowner Protection Office**

Suite 650 – 4789 Kingsway  
Burnaby, B.C. V5H 0A3  
Telephone: 604-646-7050  
Toll-free in Canada: 1-800-407-7757

### **Northern Region**

1380 – 2nd Avenue  
Prince George, B.C. V2L 3B5  
Telephone: 250-562-9251  
Outside Prince George call:  
1-800-667-1235  
Facsimile: 250-562-6488  
E-mail: [northernregion@bchousing.org](mailto:northernregion@bchousing.org)

### **Vancouver Island Region**

Suite 201 – 3440 Douglas Street  
Victoria, B.C. V8Z 3L5  
Telephone: 250-475-7550  
Facsimile: 250-475-7551  
E-mail: [vanislandregion@bchousing.org](mailto:vanislandregion@bchousing.org)

### **Orange Hall**

297 East Hastings Street  
Vancouver, B.C. V6A 1P2  
Telephone: 604-648-4270  
Email: [OrangeHall@bchousing.org](mailto:OrangeHall@bchousing.org)

### **Program and Information Line**

1-800-257-7756

Websites:

<http://www.bchousing.org>  
<http://www.hpo.bc.ca>

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## Accountability Statement

The 2015/16 – 2017/18 BC Housing Service Plan was prepared under the Board of Commissioners' direction in accordance with the *Budget Transparency and Accountability Act* and the BC Reporting Principles. The plan is consistent with government's strategic priorities and fiscal plan. The board is accountable for the contents of the plan, including what has been included in the plan and how it has been reported.

All significant assumptions, policy decisions, events and identified risks, as of February 2015, have been considered in preparing the plan. The performance measures presented are consistent with BC Housing's mandate and goals, and focus on aspects critical to the organization's performance. The targets in this plan have been determined based on an assessment of BC Housing's operating environment, forecast conditions, risk assessment and past performance.

Judy Rogers  
*Board Chair*



## About BC Housing

The British Columbia Housing Management Commission ([BC Housing](#)) was created in 1967 to deliver on the provincial government's commitment to the development, management and administration of subsidized housing. Through the [Homeowner Protection Office](#) (HPO), BC Housing also has responsibilities related to licensing of residential builders, home warranty insurance, and research and education to improve the quality of residential construction and consumer protection. BC Housing has a Board of Commissioners that is responsible for [corporate governance](#), and an [organizational structure](#) with six [branches](#). Additional information such as our mandate, vision, mission and values can be found in our [Annual Report](#).

In 2015/16 we will assist approximately 103,000 households in 200 communities across the province through a range of programs, initiatives and partnerships. Assistance ranges from emergency shelter and homeless outreach, transition houses, safe homes and second stage housing, independent and supportive social housing, rent assistance in the private market and home adaptations for seniors and persons with disabilities. Through the HPO about 5,600 builders will be licensed and approximately 24,000 new homes will be enrolled in home warranty insurance.

## Strategic Direction and Context

This Service Plan describes BC Housing's goals for the 2015/16 to 2017/18 period, which are aligned with and support the B.C. public sector [Taxpayer Accountability Principles](#) and the provincial housing strategy [Housing Matters BC](#). Specific government direction is provided annually in the Mandate Letter from the Minister Responsible for Housing to the Board of Commissioners. The [2015/16 Mandate Letter](#) directs BC Housing to:

- Adopt and implement the Taxpayer Accountability Principles.
- Implement policy directions identified in *Housing Matters BC* with a range of priority actions including: support a strong non-profit sector; support a strong non-profit Aboriginal housing sector; respond to needs along the housing continuum; and support consumer confidence by developing a model for third-party dispute resolution of home-warranty insurance claims.

## Operating Environment

No significant changes are anticipated with respect to our internal operating environment that will have an impact on results for the year ahead. Our People Strategy continues to support strong employee engagement, retention and recruitment, and helps to build learning and leadership capacity across business areas to help us deliver on our mandate. In 2015/16 more emphasis will be placed on cross-branch functional teams for implementing priority initiatives, and increasing the availability of online services for clients where possible.

Factors in the external operating environment that may impact performance include: the potential for higher interest rates that could increase the cost of housing subsidies; aging of the social housing stock that places increased pressure on funding for capital repairs and renewals; the impact of the Tsilhqot'in Aboriginal Title Case (William Case) decision; and, possible erosion of affordability in some social housing projects resulting from the expiry of operating agreements. These risks areas are considered to be manageable and can be addressed through existing mitigation strategies, new protocols and adaptations to existing programs and business practices.

# Performance Plan

## Goals, Objectives, Measures and Targets

This Service Plan contains four goals and six objectives:

1. Support a strong non-profit housing sector
  - Collaborate with our non-profit housing partners to ensure long-term provision of social housing
  - Adequate provisions for future requirements for the social housing stock
2. Respond to needs along the housing continuum
  - Increased housing options
  - Promote consumer protection and compliance with the Homeowner Protection Act
3. Enhance Aboriginal partnerships
  - Facilitate opportunities that support a self-reliant Aboriginal housing sector
4. Leadership in sustainability and residential construction
  - Environmental leadership in the housing sector

Each year the performance plan is reviewed by the organization for continued relevance, desired impact and alignment with provincial policy and direction. For 2015/16, no changes have been made to the goals or objectives; however, two objectives have been shifted to different goals to reflect better strategic alignment of our business activities. No changes have been made to performance measures, and the targets have been reviewed and set for the 2015/16 to 2017/18 period. More detailed information on our performance measures can be found in the appendix of our 2013/14 Annual Report.

In addition to the goals outlined in this Service Plan, specific activities will be taken in 2015/16 with respect to Taxpayer Accountability Principles and our Standards of Conduct that were updated in 2014. Planned activities are in the following areas: employee communications; training and engagement; and governance; tracking and reporting.

### Goal 1: Support a Strong Non-Profit Housing Sector

BC Housing supports a strong non-profit housing sector through relationship building, collaboration and capacity-building initiatives in partnership with housing providers and the BC Non-Profit Housing Association. We share a common purpose with non-profit housing providers to provide stable, safe and affordable housing. Together we work toward ensuring the sustainability of the sector and provision of social housing over the long-term. Our mutual success depends on being strategic about priorities and making the best use of our different, but complementary capabilities. This goal strongly aligns with Taxpayer Accountability Principles in the areas of cost effective delivery of services, accountability and a clear focus of positive outcomes in the delivery of services to British Columbians.

**Key Strategies:**

1. Provide support to housing providers to help improve financial, operating and governance practices.
  - Transfer PRHC properties to non-profit housing providers, including PRHC-leased land in social housing projects and select public housing stock where appropriate through the Non-Profit Asset Transfer Program launched in 2014.
2. Work with the BC Non-Profit Housing Association to:
  - Create and implement an action plan in response to findings of facilitated feedback sessions held with housing providers on the topic of “supporting a strong non-profit sector.”
  - Assist housing providers to prepare for the expiry of operating agreements.
  - Carry out capital planning for the maintenance, rehabilitation, redevelopment and energy efficiency of the social housing stock.
  - Initiate education and training sessions on various topics for housing providers.

**Objective: Collaborate with Our Non-Profit Housing Partners to Ensure Long-Term Provision of Social Housing**

Performance Measure	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Increase in the percentage of housing providers with fewer indicators for follow-up after an operational review*	70%	70% or higher	72% or higher	Measure to be reviewed	Measure to be reviewed

\*Data for this measure is gathered by BC Housing as part of the operational review process with housing providers.

**Discussion**

This measure focuses on collaborative efforts with non-profit housing providers to improve financial and operational practices. Key indicators were identified through consultations with the sector on the operational review process, and cover a range of areas including: property management, tenant/client management; financial management; health and safety; support services (if applicable); and capital asset planning.

Targets reflect the percentage of housing providers requiring follow-up with five or fewer indicators as determined from the results of the operational review process, with the emphasis on a larger percentage of housing providers with fewer follow-up items each year. Once the review is conducted, a work plan is developed to resolve any outstanding issues. The measure assumes that as the number of indicators requiring follow-up decreases over time, the number of non-profit housing providers with improved financial and operational capacity will increase, thereby allowing us to focus on other housing providers who need more support.

With the continued focus on improving our work with the non-profit housing sector, including the development of a new model for operating agreements and introducing a standardized approach to operating budgets, this measure will be reviewed in 2015/16 to identify more appropriate performance indicators that reflect progress toward strengthening the non-profit housing sector.



## Objective: Adequate Provisions for Future Requirements for the Social Housing Stock

Performance Measure	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Facility Condition Index*	11%	15% to 20%	15% to 20%	15% to 20%	15% to 20%

\*Data used to calculate the FCI is obtained from condition assessments of building systems, sub-systems and components.

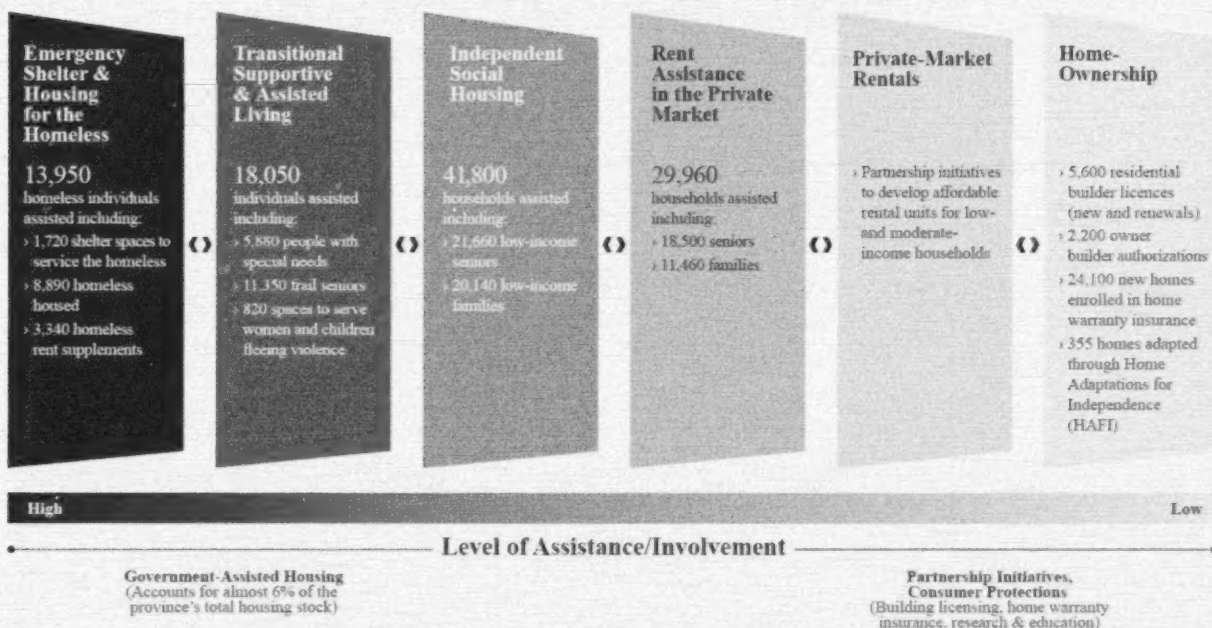
### Discussion

The Facility Condition Index (FCI) measure is a means of quantifying and measuring the physical condition of the social housing stock. The FCI value is an indication of the condition of the building – a lower value corresponds to a better building condition. The FCI is used to assist with investment decisions and strategic directions regarding capital works and budgets for social housing. The target, set at 15 to 20 per cent is a modest target that allows an acceptable service level for buildings and building condition for tenants. Future targets reflect work underway and planned to improve the social housing stock over the three-year service plan period through major rehabilitation and repairs while reflecting available funding.

## Goal 2: Respond to Needs Along the Housing Continuum

We respond to needs along the housing continuum and deliver a wide range of programs and initiatives to expand housing options for low- and moderate-income British Columbians. We also work with industry to help ensure the quality of residential construction and consumer protections for buyers of new homes. To do this we collaborate with partners across many sectors and industries, from non profits to homebuilders and local governments to community organizations. The chart below illustrates the housing continuum and our expected contributions to it in 2015/16. This goal strongly aligns with the Taxpayer Accountability Principles related to cost-effective use of public resources and supporting sustainable programs and outcomes as a lasting legacy for generations to come.

### The Housing Continuum and BC Housing's 2015/16 Contribution





**Key strategies:**

1. Implement measures to break the cycle of homelessness through: creating new supportive housing projects; providing homeless outreach and emergency shelter; and providing people in identified at-risk groups facing homelessness with portable rent supplements to help them access rental housing in the private market through the Homeless Prevention Program launched in 2014.
2. Facilitate innovative partnerships to create new affordable housing options for low- and moderate-income households along the continuum through development programs.
3. Provide cash assistance to low-income seniors and working families in the private rental market through rental assistance programs.
4. Improve the physical accessibility of homes for low-income seniors and persons with disabilities through the Home Adaptations for Independence program.
5. Administer consumer protection measures for buyers of new homes by: implementing an accreditation system for home builder education and education providers; and begin work on establishing an appeal mechanism for new home construction warranty claims.

**Objective: Increase Housing Options**

Performance Measure	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Number of New Units/Beds Created by Priority Groups*	1,557	1,218	1,113	1,104	1,000

\*Data for this measure is gathered through BC Housing's IT systems that track progress of new units created.

**Discussion**

This measure monitors our performance in creating new units along the housing continuum. Through our development programs we are able to add new housing units for a range of low-income individuals and families, including frail seniors, Aboriginal households, people with physical and mental disabilities as well as individuals who are homeless. Targets are based on the completion of new units under existing development programs and take into account planned program funding levels. In addition to the number of units created, the number of households benefitting from rental assistance programs, including the recently launched *Homelessness Prevention Program*, will be reported under this objective in the 2015/16 Annual Report.

**Objective: Promote Consumer Protections and Compliance with the *Homeowner Protection Act***

Performance Measure	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Builders' Rating of the Effectiveness of Compliance Efforts to Monitor and Enforce Licensing and Home Warranty Insurance*	85%	80% or higher	80% or higher	80% or higher	80% or higher

\*Data for measure is obtained through a survey carried out by a third-party survey research firm. Prior to 2014/15 the survey was conducted through online and mailed paper surveys. For 2014/15 onwards, the results are based on an online survey only.

**Discussion**

This is a measure of the overall health of the builder licensing, home warranty insurance and owner-builder authorization system whereby compliance issues are dealt with quickly and effectively by the Homeowner

Protection Office. Assessment of performance is best done by industry participants (licensed residential builders) that operate their businesses within the regulatory framework. Targets are based on past trends and strategic initiatives underway to increase builders' positive rating of compliance efforts each year over the three-year service planning period.

### Goal 3: Enhance Aboriginal Partnerships

Aboriginal people are more likely to be in core housing need and are significantly over-represented within the homeless population. We work with the Aboriginal housing sector to enhance partnerships to address Aboriginal housing need and increase self-reliance within the sector. The Taxpayer Accountability principle of respect is strongly emphasized by our work under this goal. BC Housing engages in equitable, compassionate, respectful and effective communications that ensure all parties are properly informed or consulted on actions and decisions, and proactively collaborates in a spirit of partnership that respects the use of taxpayers' monies.

#### Key strategies:

1. Partner with the Aboriginal Housing Management Association to engage Aboriginal communities and housing providers in identifying key housing challenges and opportunities.
2. Ensure that there are lasting benefits to the Aboriginal communities that we work with through a range of initiatives such as housing-related training and employment.
3. Provide BC Housing staff with opportunities to gain a stronger understanding of the cultural aspects related to Aboriginal partnerships and housing.

#### Objective: Facilitate Opportunities that Lead to a More Self-Reliant Aboriginal Housing Sector

Performance Measure	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Progressive Aboriginal Relations (PAR) Certification*	Silver	Silver	Silver	Silver	Silver

\*Data to validate the certification results is generated and held by the Canadian Council for Aboriginal Business.

#### Discussion

Performance is measured through the Progressive Aboriginal Relations (PAR) Certification, whereby our broad range of initiatives and partnerships with Aboriginal organizations are assessed by an independent third-party organization, the Canadian Council for Aboriginal Business (CCAB). The CCAB assesses our commitment to the Aboriginal sector in four areas: employment; business development; community investment; and community engagement. Assessment results are certified at a bronze, silver or gold level, depending on how the organization has demonstrated its performance. Benchmarking is conducted on a national level against other Canadian companies participating in the PAR Certification program. The certification process occurs every three years, and will occur again in 2015. Initiatives are underway that will support our certification at a minimum of a silver level, with a goal of continual improvement each year to support stronger Aboriginal partnerships and relations.

### Goal 4: Leadership in Sustainability and Residential Construction

This strategic priority brings together two areas where we have significant leadership responsibilities. Through the Homeowner Protection Office, we partner with industry and government partners to initiate

technical research and education projects that promote the durability and energy efficiency of new residential construction. The crossover of projects and findings for the non-profit housing sector is proving to be beneficial, for example, improving energy performance of multi-unit buildings and providing building enclosure design guidelines.

As well, through the *livegreen Housing Sustainability Plan*, we focus on opportunities to encourage sustainability benefits from the work that we do in delivering housing programs and services, and to also take a leadership role in promoting sustainability within the broader housing sector. As demonstrated in our *Carbon Neutral Action Report*, progress has been made in reducing our greenhouse gas emissions and through a wide range of activities to lower our organizational environment footprint. Overall this goal supports the Taxpayer Accountability Principles of accountability and integrity. Actions under this goal are aligned with government's direction under the *Greenhouse Gas Reductions Target Act*. Decisions and actions in the interest of environmental sustainability are implemented in our own operations.

### Key strategies:

1. Carry out strategic research and education to support continuous improvement in the quality of residential construction and consumer awareness.
2. Implement the *livegreen Housing Sustainability Plan* to promote environmental sustainability in our work, with our tenants, and more broadly within the housing sector.

### Objective: Environmental Leadership in the Housing Sector

Performance Measure	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Per Cent Reduction in Greenhouse Gas Emissions from 2005 levels*	24%	15%	20% or more	20% or more	20% or more

\*This measure is based on data provided directly from utility companies and compiled by an external consultant. In accordance with legislative requirements, the targets and results are based on a calendar year, e.g., results for 2014 are reported in the 2014/15 Annual Report.

### Discussion

This measure tracks progress in reducing greenhouse gas (GHG) emissions and maintaining a carbon neutral status as required by the *Greenhouse Gas Reductions Target Act*. It includes emissions from the entire housing portfolio of buildings owned or leased by PRHC, and is aligned with provincial reporting requirements. Targets are set to achieve a 20 per cent or more reduction in GHG emissions from the 2005 level. The 2005 baseline, which was calculated across the housing portfolio that existed in 2005, has been maintained as the level that we compare our reductions. Targets take into account anticipated changes to the housing portfolio, and our goal is to reduce emissions above the 20 percent level (compared to the 2005 baseline) each year.



# Financial Plan

## Summary Financial Outlook

(\$000)	2013/14 Actual	2014/15 Forecast	2015/16 Budget	2016/17 Budget	2017/18 Budget
Total Revenue (\$000)	610,156	671,707	657,534	629,195	622,583
Provincial Share*	384,632	412,106	432,464	435,195	439,584
Federal Share	160,070	192,414	173,097	147,151	138,613
Other**	65,454	67,187	51,973	46,849	44,386
Total Expenses (\$000)	610,128	671,707	657,534	629,195	622,583
Housing Subsidies	388,236	428,849	408,597	383,604	377,866
Rental Assistance	90,428	109,579	114,694	114,694	114,694
Salaries and Labour	50,251	50,732	54,444	53,903	53,528
Operating Expenses	22,383	24,705	20,845	20,593	20,486
Building Maintenance	12,490	10,906	13,535	12,831	12,473
Building Modernization and Improvement	9,512	10,262	9,590	9,590	9,590
Office and Overhead	10,014	10,284	9,800	9,800	9,800
Building Mortgage Costs	8,672	8,533	8,534	8,525	8,499
Utilities	8,571	9,161	8,979	8,202	7,801
Grants in lieu of Property Taxes	6,687	6,784	6,620	6,097	5,950
Research and Education	2,114	1,305	1,296	1,296	1,296
Interest Expense	770	607	600	600	600
Net Income	28	-	-	-	-
Total Liabilities	130,919	90,000	30,000	30,000	30,000
Accumulated Surplus/Retained Earnings	2,239	2,239	2,239	2,239	2,239
Total Capital Expenditures	3,041	5,000	5,000	5,000	5,000

\*In 2015/16 this includes funding of \$411.2 million provided directly by the provincial government to BC Housing, \$12.0 million from the Housing Endowment Fund, \$9.3 million from other partnering ministries/agencies.

\*\*This includes tenant rent and revenues from other sources including builder licensing fees.

## Key Forecast Assumptions

Forecast assumptions considered in setting the financial projections are as follows:

- Provincial and federal funding contributions match existing project approvals;
- Interest rates for mortgage take-outs and renewals are based on Provincial Treasury Board forecasts;
- Construction activity for new development projects and renovations will match planned schedules; and,
- Rental assistance program take-up by clients is expected to stabilize.

## Sensitivity Analysis

The chart below summarizes our key financial risks, sensitivity analysis and mitigation strategies.

Potential Risks	Sensitivities Risk Mitigation	Strategies & Opportunities
Mortgage/ interest rate fluctuations	A one per cent increase above the budgeted mortgage rate would increase housing subsidies by about \$0.57 million in 2015/16	<ul style="list-style-type: none"> <li>• Bulk tendering of mortgages</li> <li>• Laddered renewal dates with less than 20 per cent of portfolio renewed in a year</li> <li>• Staggered mortgage terms</li> <li>• Locked-in longer mortgage terms at lower interest rates</li> <li>• Low-interest construction financing to reduce new housing capital costs, thereby reducing ongoing subsidies</li> </ul>
Investment returns fluctuations	Volatility in the global financial markets impacts the rate of return on investments	<ul style="list-style-type: none"> <li>• Engage sound investment managers that balance risk and return over the long term</li> <li>• Diversify the portfolio with a strategic asset mix of various financial instruments such as equities and bonds</li> <li>• Review and rebalance the strategic asset mix as required</li> </ul>
Higher heating costs	A \$1 increase per gigajoule in the price of natural gas would increase the budgeted estimates by approximately \$0.27 million in 2015/16	<ul style="list-style-type: none"> <li>• Development of a retrofit strategy</li> <li>• Implementation and installation of energy-efficient equipment resulting in reduced energy consumption</li> </ul>
Higher inflation	A one per cent increase above the budgeted consumer price index would increase expenses by \$0.71 million in 2015/16	<ul style="list-style-type: none"> <li>• Bulk purchasing for insurance, natural gas and appliances</li> <li>• Best operational and management practices by housing providers</li> </ul>

## Management Perspective on Future Financial Outlook

The Summary Financial Outlook chart on the previous page shows BC Housing's actual and forecasted financial outlook from 2013/14 through 2017/18. In 2015/16, BC Housing's budget is forecasted to be \$657.5 million.

### Revenues

Over 90 per cent of BC Housing's revenues are contributions received from the provincial and federal governments.

### Provincial Contributions

In 2015/16, BC Housing is forecasting to receive total provincial contributions of \$432.5 million.

Provincial contributions that fund operating and support costs are forecasted to be \$417.5 million in 2015/16. This contribution will provide funding for a variety of housing initiatives and programs such as the *Provincial Housing Initiative*, *Independent Living BC*, *Women's Transition Housing and Supports*, *Homeless Outreach Program*, *Aboriginal Homeless Outreach Program*, *Emergency Shelter Program*, *Memoranda of Understanding (MOU)* with local governments, and the *SRO Renewal Initiative*. The provincial contribution increase in 2015/16 is to support newly completed MOU projects and the *Non-Profit Asset Transfer Program* created under the recent update to the provincial housing strategy, *Housing Matters BC*.

In 2015/16, \$15.0 million of provincial funding will be invested in capital projects. Funding for these initiatives are typically multi-year, and are committed based on individual project construction schedules, the timing of which fluctuates year over year as projects complete. These investments support new construction

projects and also address the deferred maintenance and renovation requirements of Crown-owned infrastructure.

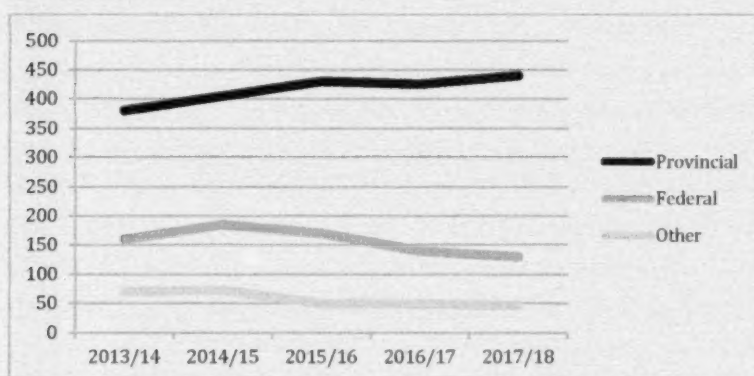
## Federal Contributions

In 2015/16, we are forecasting to receive federal contributions of \$173.1 million, which will reduce to \$138.6 million in 2017/18 due to the expiration of operating agreements for social housing projects under older federally funded programs. Included in the federal revenue forecast is the extension of the Canada/BC Investment in Affordable Housing (IAH) agreement. This extension will result in an additional \$150 million from 2014/15 through 2018/19 to help facilitate affordable housing programs for B.C. residents.

## Other Contributions

The remaining revenues are from tenant rent and other sources including builder licensing fees. The Homeowner Protection Office is fully self-supported from the collection of builder licensing fees that are anticipated to generate approximately \$5.0 million in revenue annually. This revenue will fund costs associated with the licensing and home warranty insurance system as well as research and education in residential construction and consumer protection.

## Revenues



## Expenditures

Our expenditures are largely comprised of housing subsidies, rental assistance, administration costs, operational costs and building-maintenance costs.

Housing subsidies are the majority of BC Housing's expenditures, accounting for 62 per cent of the total budget. These are ongoing subsidies for non-profit societies as well as one-time capital grants for new construction or renovation of subsidized housing.

Rental assistance costs increase beginning in 2014/15 as a result of raising rent ceilings for the *Shelter Aid for Elderly Renters (SAFER)* program and *Rental Assistance Program (RAP)*, and the implementation of the *Homeless Prevention Program (HPP)* which provides rent supplements targeting those at risk of homelessness.

Administration costs consist of salary and labour paid to employees, and office and overhead costs incurred in administering the housing portfolio as well as research and education. These costs are expected to remain stable at \$65 million by applying internal administrative savings measures.

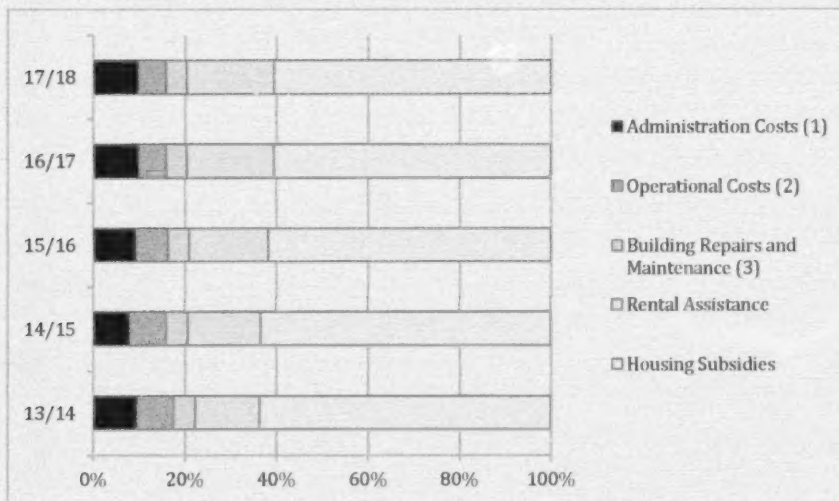
Operational costs which include operating expenses, building-mortgage costs, utilities, and grants in lieu of property taxes, are expected to decrease each year from 2015/16 through 2017/18 as directly managed



buildings are transferred to non-profit housing providers as part of the *Non-Profit Asset Transfer Program* initiated under the provincial housing strategy. Future rate increases in electricity, natural gas, water and sewer and property taxes may drive up these costs. Various measures, such as building energy retrofits, the bulk purchase of natural gas, mortgage renewals with longer terms, and operational efficiencies, have been implemented to offset this impact.

Building maintenance and building modernization and improvement costs are expected to remain at approximately \$22 million annually. The transfer of BC Housing managed buildings to non-profit housing providers under the *Non-Profit Asset Transfer Program* will result in a small decrease to building maintenance costs as these costs shift to housing subsidies.

### Expenditures 2013/14 to 2017/18



Note:

(1) Administration Costs – Salary and Labour, Research and Education and Office Overhead

(2) Operational Costs – Operating Expenses, Building Mortgage Costs, Utilities, and Grant in Lieu of Property Taxes

(3) Building Repair and Maintenance – Building Maintenance and Building Modernization and Improvement Costs

### Provincial Rental Housing Corporation<sup>1</sup>

The net income projected for the Provincial Rental Housing Corporation is the result of gain on sales generated from the transfer of land and buildings to non-profit housing providers under the *Non-Profit Asset Transfer Program*. The proceeds from these transfers will be reinvested into social housing through BC Housing.

### Summary Financial Outlook

(\$ millions)	2014/15 Forecast	2015/16 Budget	2016/17 Budget	2017/18 Budget
Net Income	35	174	140	69

<sup>1</sup> The Provincial Rental Housing Corporation is a separate entity that holds property for social and other affordable housing for the Province, and is administered by BC Housing's senior executive team and does not directly employ any staff.

